Supreme Court, U.S.
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No. 96-1470

In The

Supreme Court of the United States

October Term, 1996

QUALITY KING DISTRIBUTORS, INC., a New York corporation,

Petitioner,

vs.

L'ANZA RESEARCH INTERNATIONAL, INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

BRIEF FOR RESPONDENT

RAYMOND H. GOETTSCH
Counsel of Record
LaTORRACA AND GOETTSCH
A Law Partnership
Attorneys for Respondent
211 East Ocean Boulevard
Suite 400
Long Beach, California 90802
(562) 436-1887

71071 (800) 3 APPEAL • (800) 5 APPEAL • (800) BRIEF 21 Lutz Appellate Services, Inc.

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QUESTION PRESENTED

Is the "first sale" doctrine contained in Section 109(a) a defense to copyright infringement under Section 602(a) for importation, without the authorization of the copyright holder, of copies distributed outside the United States?

CORPORATE DISCLOSURE STATEMENT PURSUANT TO RULE 29.6

Respondent L'anza Research International, Inc., a California corporation, has no parent company or nonwholly-owned subsidiary.

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PERTINENT STATUTES

Respondent L'anza Research International, Inc. ("L'anza") concurs with petitioner Quality King Distributors, Inc. ("Quality King") that the writ of certiorari concerns the provisions of the Copyright Act of 1976, 17 U.S.C. §§ 106, 109(a) and 602(a), quoted in part in the brief for petitioner.

However, L'anza contends that 17 U.S.C. §§ 501 and 603 are also pertinent. Moreover, Quality King has not cited the complete text of § 602. The Copyright Act of 1976, 17 U.S.C. § 602 provides in its entirety:

> (a) Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501. This subsection does not apply to —
>
> (1) importation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies of any audiovisual work imported for purposes other than archival use;
>
> (2) importation, for the private use of the importer and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving

from outside the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

(3) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies of phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2).

(b) In a case where the making of the copies or phonorecords would have constituted an infringement of copyright if this title had been applicable, their importation is prohibited. In a case where the copies or phonorecords were lawfully made, the United States Customs Service has no authority to prevent their importation unless the provisions of section 601 are applicable. In either case, the Secretary of the Treasury is authorized to prescribe, by regulation, a procedure under which any person claiming an interest in the copyright in a particular work may, upon payment of a specified fee, be entitled to notification by the Customs Service of the importation of articles that

appear to be copies or phonorecords of the work.

The Copyright Act of 1976, 17 U.S.C. § 501(a) provides:

(a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118 or of the author as provided in section 106A(a), or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be. For purposes of this chapter (other than section 506), any reference to copyright shall be deemed to include the rights conferred by section 106A(a). As used in this subsection, the term "anyone" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

The Copyright Act of 1976, 17 U.S.C. § 603, as amended in 1996, provides:

(a) The Secretary of the Treasury and the United States Postal Service shall separately or jointly make regulations for the enforcement of the provisions of this title prohibiting importation.

(b) These regulations may require, as a condition, for the exclusion of articles under section 602 —

(1) that the person seeking exclusion obtain a court order enjoining importation of the articles; or

(2) that the person seeking exclusion furnish proof, of a specified nature and in accordance with prescribed procedures, that the copyright in which such person claims an interest is valid and that the importation would violate the prohibition in section 602; the person seeking exclusion may also be required to post a surety bond for any injury that may result if the detention or exclusion of the articles proves to be unjustified.

(c) Articles imported in violation of the importation prohibitions of this title are subject to seizure and forfeiture in the same manner as property imported in violation of the customs revenue laws. Forfeited articles shall be destroyed as directed by the Secretary of the Treasury or the court, as the case may be.

STATEMENT OF THE CASE

This case concerns the ability of a copyright holder to control the United States distribution of its copyrighted product when those products have been distributed abroad and imported into the United States without the copyright holder's permission. The L'anza products at issue were acquired outside of the United States and imported into the United States by Quality King without L'anza's permission and distributed by Quality King. *L'anza Research Intern.*

v. Quality King Distributors, 98 F.3d 1109, 1118 (9th Cir. 1996) (and appendices to petition for writ of certiorari ("Pet. App.") at A17). As a result, L'anza sued Quality King for copyright infringement under 17 U.S.C. § 602(a).

As fully discussed within, the district court granted L'anza's motion for an order specifying issues that exist without substantial controversy on the ground that the "first sale" doctrine of Section 109(a) was not a defense to Quality King's violation of Section 602(a) because the copyrighted products had not both been manufactured and sold in the United States and that L'anza had not received the full value for its copyright since the copyrighted products were sold abroad at an extensive discount with the agreement and expectation that those products would not be imported into the United States to compete with L'anza's copyrighted products sold domestically. The Ninth Circuit affirmed on the ground that the "first sale" doctrine of Section 109(a) is not a defense to copyright infringement under Section 602(a) for an authorized importation of copyrighted goods. As also fully discussed within, the Ninth Circuit's decision was correct because the unambiguous language of the statute establishes that Section 109(a) is not a limitation on the importation right articulated in Section 602(a). Moreover, the legislative history of the Copyright Act reveals that Congress never intended Section 109(a) to act as a defense to copyright infringement for unauthorized importation under Section 602(a).

A. Material Facts.

L'anza formulates and distributes high quality professional hair care products which are sold exclusively through professional beauty salons and colleges and professional barber salons and colleges ("the authorized channels of distribution"). *See* 98 F.3d at 1111 (Pet. App. at A2). L'anza has advertised extensively in the United States market to create and maintain a reputation for selling exclusive high quality products which are only available through the authorized channels of distribution.

L'anza assures that its products are sold by its distributors in the United States solely in their own territories and solely through the authorized channels of distribution by including provisions in its distributorship contracts limiting the distributors' right to distribute to certain identified geographical areas within the United States and only through the authorized channels of distribution. *Id.* L'anza also sells its products abroad through master distributors whose distribution areas are limited to defined geographical areas outside of the United States. *Id.*

L'anza has never authorized any party at any time to import into the United States any of its products that have been sold abroad. *See id.* Moreover, L'anza discounts its sales abroad to its foreign master distributors by 35% to 40% below the level of prices that it charges to its U.S. distributors. *Id.* The discount is a reflection of the fact that L'anza's advertising focuses on the United States, and that through its advertising and promotional activities in the United States, L'anza has already established a high quality distribution network in the United States.

Foreign distributors, on the other hand, have to establish their own channels of distribution and do not generally receive the benefit of L'anza's advertising and promotional activities in the United States. *Id.* Consequently, the prices to these foreign master distributors do not reflect L'anza's advertising activities and pre-established channels of distribution in the United States. *See id.* Therefore, if and when a foreign distributor or someone who has purchased L'anza products from a foreign distributor imports L'anza products into the United States, L'anza is being deprived of its right to obtain the full value of its copyright with regard to sales in the United States.

In February 1994, L'anza discovered that its products were being sold at Vassey Drugs in Carmel, California. *Id.* Since every shipment of L'anza products includes products marked to allow tracing, L'anza was able to determine that the products being sold at Vassey Drugs had been purchased from L'Intertrade, a distributor

in Malta, and imported without L'anza's authorization. *Id.* The L'anza products had been manufactured in the United States and then sold through Planetary Eco, L'anza's distributor in the United Kingdom, to L'Intertrade. *Id.* L'anza had sold the products at a substantial discount with the understanding that they would be distributed in Malta and possibly Libya.[1] *Id.* Instead, L'Intertrade sold the products for importation back into the United States,

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1. In its brief on the merits, Quality King has argued that L'anza produced no documents under which either Planetary Eco or L'Intertrade agreed to such sales restrictions. (Petitioner's Brief ("Pet. Br.," p. 4.) However, Quality King had the burden of proof to establish that the importation of L'anza products was authorized by L'anza; yet, as the Ninth Circuit found, Quality failed to present any evidence to satisfy its burden of proof in this regard. That notwithstanding, as Quality King has acknowledged, L'anza introduced testimony, including the testimony of Planetary Eco, that Planetary Eco and L'Intertrade had agreed to these sales restrictions. Joint Appendix ("J.A."), 106-107. Quality King introduced no evidence — testimonial or documentary — to the contrary. Moreover, L'anza did submit documentary evidence that the distribution of the L'anza products by L'Intertrade was restricted. L'anza submitted a bill of lading for a shipment of L'anza products to L'Intertrade, which stated in part:

> THESE COMMODITIES LICENSED BY THE U.S. FOR ULTIMATE DESTINATION MALTA. DIVERSION CONTRARY TO U.S. LAW PROHIBITED.

II Excerpts of Record ("ER") 65:374-375, ¶2. In addition, L'anza submitted exemplars of distributorship agreements in effect at the time. I ER 52:45-46, ¶4; 206-220. L'anza also produced correspondence from Planetary Eco contemporaneous to the transactions recognizing the limitations on distribution. I ER 52:16. The Planetary Eco representative wrote in part: "[P]lease could you mark all products so that if it turns up in any other location it can be clearly identified and the relationship terminated." *Id.*

L'anza did not designate these documents cited from the excerpts of records to be included in the joint appendix because in reliance upon a fair reading of the petition for writ of certiorari, L'anza did not anticipate that Quality King would make these arguments.

without L'anza's permission, and Quality King purchased in their entirety the three shipments that had been sent to the United Kingdom.[2] *Id.* at 1111-1112 (*Id.* at A2-A3).

B. Procedural History.

L'anza filed a complaint against Quality King and others who were selling L'anza products purchased from Quality King alleging that they had violated 17 U.S.C. § 602(a) by importing products to which L'anza owned the copyright without L'anza's permission.[3] *Id.* Quality King responded, *inter alia*, by asserting the affirmative defense of the "first sale" doctrine of 17 U.S.C. § 109(a).[4] *Id.* The district court granted L'anza's motion for an order specifying issues that exist without substantial controversy on May 4, 1995. *Id.*

In its amended order, the district court recognized that Section 602(a) addresses both "piratical" articles, *i.e.* copies made without authorization of the copyright owner, and lawfully made copies, imported without authorization of the copyright owner. (Pet. App. at B4.) The court reasoned that under Section 602(a), "[ ]Congress intended to protect the domestic copyright holder's right to distribute copies in the United States without having to compete with 'piratical' copies or 'lawfully made' copies imported

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2. In its brief on the merits, Quality King for the first time notes that it was not the actual importer of the L'anza goods acquired abroad. (Pet. Br. at 4-5, n.1 and 14, n.6.) However, Quality King has waived this argument. *See Delta Airlines v. August*, 450 U.S. 346, 362 (1981); United States Supreme Court Rule 14.1(a); *Yee v. Escondido*, 503 U.S. 519, 536-537 (1992).

3. In its brief, Quality King appears to suggest that not all of the subject L'anza products had copyrighted labels. (Pet. Br., p. 5.) However, in its petition for writ of certiorari, Quality King admitted that the validity of L'anza's copyrights are not in dispute. Petition for Writ of Certiorari ("Pet."), p. 3.

4. Defaults were entered as to L'Intertrade and its principal, M. Hanif. IV ER 834 (Docket Nos. 44, 47). L'anza settled with the remaining defendants, other than Quality King, and they were dismissed.

without the copyright holder's authority." (Pet. App. at B8.) As a result, the court held that the first sale defense does not extinguish the copyright holder's right to prohibit unauthorized importation of copies. (Pet. App. at B6.) The court concluded that a contrary holding "would undermine the stated purpose of § 602, which is to provide copyright owners with the right to prevent the unauthorized importation of articles acquired abroad that were initially manufactured under the copyright owner's authority. [Citation omitted.]". *Id.*

In the interim, L'anza had filed a state court action against Quality King for business torts under California law, related to L'anza products wrongfully obtained by Quality King from domestic distributors. The state court action, captioned *L'anza Research International, Inc., a California corporation, Plaintiff v. Quality King, Inc., a New York corporation, et al., Defendants*, Los Angeles County Superior Court Case No. BC089231, proceeded to trial on April 14, 1995. 98 F.3d at n.2 (Pet. App. at A3). On May 18, 1995, the jury in the state court action returned its verdict in favor of L'anza and against Quality King awarding L'anza $480,000 in damages and finding by *clear and convincing evidence* that Quality King had acted with malice or fraud against L'anza. *See id.* The jury also rejected Quality King's affirmative defense that Quality King was the competitor of L'anza and thus that Quality King's conduct was privileged. (Appendices to opposition ("Opp. App.") at 7a.) On May 23, 1995, the jury returned its special verdict awarding L'anza $3.4 million in damages against Quality King. (*Id.* at 9a-10a.) L'anza subsequently was granted a permanent injunction, *inter alia*, as follows:

> IT IS FURTHER ORDERED, ADJUDGED AND DECREED that defendant Quality King Distributors, Inc., its agents, servants, employees, principals, subsidiaries, affiliates, or all those in active concert or participation with it are hereby enjoined and prohibited from purchasing,

> offering to sell, selling or in any way selling or transferring to others any L'anza hair care products that were originally sold by L'anza within the United States.

(*Id.* at 11a.)

On July 25, 1995, the district court also granted L'anza's motion for permanent injunction enjoining Quality King from importing and selling identified copyrighted L'anza's products that had been sold previously outside of the United States. 98 F.3d at 1112 (Pet. App. at A3). The district court entered judgment in the amount of $132,616 in damages in favor of L'anza on September 29, 1995. *Id.*

Quality King appealed, and the Ninth Circuit affirmed. At the outset, it should be noted that on appeal, Quality King argued that the permanent injunction should be vacated. However, Quality King did not seek the vacation based upon the contention that Quality King had never imported L'anza products.

In its decision, the Ninth Circuit reviewed its prior decisions holding that the "first sale" doctrine does not bar an action under Section 602(a) when foreign-manufactured U.S. copyrighted goods have been lawfully sold abroad.[5] *Id.* at 1113. The court noted that this Ninth Circuit rule was that " 'the words "lawfully made under this title" in § 109(a) grant first sale protection only to copies legally made and sold in the United States.' " *Id.* However, the Ninth Circuit declined to rely on this interpretation that grants first sale protection only to copies legally made and sold in the United States. *Id.* at 1114. Instead, the Ninth Circuit elected to rely upon the alternative ground supporting the *BMG* and *Drug Emporium* decisions: If Section 109(a) supersedes the prohibition on importation under

5. The Ninth Circuit cited *Parfums Givenchy v. Drug Emporium*, 38 F.3d 477, 480-481 (9th Cir. 1994), *cert. denied*, 514 U.S. 1004, 115 S. Ct. 1315, 131 L. Ed. 2d 197 (1995); *see also BMG Music v. Perez*, 952 F.2d 318, 319 (9th Cir. 1991), *cert. denied*, 505 U.S. 1206, 112 S. Ct. 2997, 120 L. Ed. 2d 873 (1992).

Section 602(a), then Section 602(a) would be rendered meaningless.[6] *Id.*

In its decision, the Ninth Circuit found that prior to the enactment of the 1976 Copyright Act, the Act had only proscribed the importation of "piratical" copies of a work, *i.e.* copies made without the copyright holder's authorization. 98 F.3d at 1116. The Ninth Circuit further found that the enactment of § 602(a) prohibited the importation of both "piratical" copies and "lawfully made" copies, imported without the copyright holder's authorization. *Id.* The court discerned that the enactment of § 602(a) resulted from the fact that importation of copies from outside the United States was preventing copyright holders from receiving the "full value" for copies sold within the United States. *Id.* The court concluded that the unauthorized importation of the subject goods had prevented L'anza from receiving full value for its copyrighted goods sold in the United States. *Id.* at 1117. Therefore, the court concluded that the first sale defense of §109(a) could not bar liability under § 602(a). *Id.*

On or about March 12, 1997, Quality King paid the judgment and required a satisfaction of judgment. (Opp. App. at 1a-2a.) Quality King's petition was docketed on March 19, 1997.

C. The Practice of Gray Marketing.

As Quality King recognizes, this case involves "gray marketing" activities. Pet. Br. at p. 7. Of course, as a gray marketer, Quality King prefers to refer to its activities as "parallel importation," just as it prefers to refer to itself as a "redistributor."[7]

6. *Parfums Givenchy, v. Drug Emporium, supra*, 38 F.3d at 481; *BMG Music v. Perez, supra*, 952 F.2d at 319.

7. Quality King appears squeamish about the term "gray market" and claims that the term is only used by opponents of the activity. Pet. Br. at p. 7, n.3. However, at least one state legislature had no reluctance in using the term and enacting restrictions on the sale of "gray market" goods by retailers. (Cont'd)

Quality King argues that its "gray market" activities are a boon to consumers because Quality King makes products, such as professional hair care products, available to consumers at lower prices at retail outlets, not within the authorized chain of distribution. *Id.* However, in making this argument, Quality King ignores the deleterious effect of its conduct on both consumers and manufacturers.

First, "gray market" goods are almost never covered by the same warranties available for domestic goods in the United States. *See, e.g., United States v. Eighty-Three Rolex Watches,* 992 F.2d 508, 509 (5th Cir. 1993). In addition, "gray market" goods are often damaged and defaced during the diversion process. *See, e.g., Societe des Produits Nestle S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 642 (1st Cir. 1992). Damage or defacement may prevent a product recall if the batch codes on products have been rendered illegible. Cosmetics, such as hair care products, are also often damaged by improper storage or aging. Further, "gray market" products may not meet United States standards in terms of content. For example, certain states, such as California and New York, have higher statutory standards for certain products, such as the application of

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(Cont'd)

California Civil Code § 1797.8, *et seq*. The statute defines "gray market" goods as follows:

> (a) As used in this chapter, the term "grey market goods" means consumer goods bearing a trademark and normally accompanied by an express written warranty valid in the United States of America which are imported into the United States through channels other than the manufacturer's authorized United States distributor and which are not accompanied by the manufacturer's express written warranty valid in the United States.
>
> . . .

California Civil Code § 1797.8.

volatile organic compound legislation on hair sprays. *See, e.g.*, 17 California Code of Regulations § 94500, *et seq.* These problems can hardly be viewed as a boon to consumers.

"Gray market" activities are also harmful to manufacturers. When a consumer purchases a "gray market" product, the consumer does so based upon the image and reputation of that product. If the "gray market" product does not meet the consumer's expectation, then the consumer holds the manufacturer responsible, and the manufacturer suffers a loss of good will. *See Original Appalachian Artworks, Inc. v. Granada Elects., Inc.*, 815 F.2d 68, 73 (2d Cir. 1987), *cert. denied,* 44 U.S. 847 (1987).

"Gray market" activities are further objectionable because they allow the gray marketer to obtain a "free ride" on the manufacturer's marketing and promotional efforts without compensation. *See, e.g., Osawa & Co. v. B & H Photo,* 589 F. Supp. 1163, 1172 (S.D.N.Y. 1984). As noted, in this case, L'anza sold the subject copyrighted products abroad at a discount of 35% to 40% because L'anza's advertising and promotional activities are directed toward the United States market, not foreign markets, and as a result, a foreign distributor does not benefit from those activities. *See* 98 F.3d at 1111 (Pet. App. at A2). However, because these products were imported from abroad into the United States, those involved in the diversion of the products benefited from L'anza's advertising and promotional activities without L'anza receiving commensurate compensation.

It should be recognized that L'anza, the copyright holder, is a creator and developer of products. Quality King, on the other hand, is an interloper, at most. The rule of law that Quality King proposes would discourage competition. For example, if L'anza cannot enter into agreements to distribute and sell its copyrighted products outside of the United States at lower prices without fear of those products being imported into the United States without L'anza's authorization to compete with L'anza's distribution and price structure for products inside the United

States, then L'anza will be discouraged from entering into and competing in foreign markets. Thus, the rule proposed by Quality King will have a deleterious effect on United States companies that create and develop products. Consequently, the potential impact on L'anza far outweighs the purported predicament facing Quality King. Quality King, of course, is not a copyright holder. Moreover, Quality King is not a creator or developer of products. Rather, Quality King is merely a "middleman" interfering with the authorized and planned distribution of L'anza's products, and other products, as well, and Quality King simply tries to make a "fast buck" or "fast penny" by diverting products and manufacturing an unnecessary link in the chain of distribution.

In addition, it is highly questionable whether "gray market" activities even provide consumers with lower prices. For example, "gray market" hair care products have been found to be as costly, and often more costly, at unauthorized retail outlets as at authorized salons. Maryellen Gordon, "Gray Market Is Giving Hair-Product Makers Gray Hair," New York Times, July 13, 1997. ("A spot check last month of a half dozen products found that some discount stores don't actually offer a discount. By the time the shampoos and conditioners wind up on the discounters' shelves, the products have passed through a few more out-stretched hands. The products can cost up to $6 less in salons.")

Finally, Quality King has attempted to paint a picture of itself as a reputable business organization. However, Quality King's litigation history suggests otherwise. *Warner-Lambert Co. v. Northside Development Corp.*, 86 F.3d 3, 8 (2d Cir. 1996) (enjoining Quality King from selling outdated cough drops); *Charles of the Ritz v. Quality King Distributors, Inc.*, 832 F.2d 1317, 1324 (2d Dist., 1987) (enjoining Quality King from using slogan substantially similar to trademark owner's); *Epocha Distributors, Inc. v. Quality King Distributors, Inc.*, 2 U.S.P.Q. 1805 (E.D.N.Y 1987) (enjoining Quality King from importing trademarked goods); *Med-Sales Assoc., Inc. v. Lebhar-Friedman,*

Inc., 663 F. Supp. 908, 909, 910 (S.D.N.Y. 1987) (noting Quality King's involvement in distribution of counterfeit birth-control pills); *see also* Wall Street Journal, Feb. 9, 1996 (reporting suit by Proctor & Gamble against Quality King for selling counterfeit Head & Shoulders shampoo); National Law Journal, September 10, 1997 (reporting dismissal of Quality King's counterclaim against Proctor & Gamble for trade libel, tortious interference with business relations and unfair competition based upon Proctor & Gamble's advertising warning consumers of counterfeit shampoo). Quality King's course of conduct belies its claim to be a champion for consumers.

SUMMARY OF ARGUMENT

In its brief, Quality King argues that since Section 602(a) states that the unauthorized importation of works acquired outside the United States is infringement of the exclusive right to distribute under Section 106, the limitations on Section 106, such as the "first sale" doctrine of Section 109, must also extend to Section 602(a). However, this argument assumes that the importation right of Section 602(a) is a subset of Section 106. As fully discussed within, the express language of the statutes reveals otherwise.

The distribution rights articulated in Section 106(3) is an affirmative right that grants the copyright owner the sole right to control the distribution of copies, whether lawful or piratical, and to prevent others from distributing copies without the owner's authorization. Congress supplemented the distribution right of Section 106(3) by enacting Section 602(a). The right granted under Section 602(a) is distinct from the right under Section 106(3) standing alone. While the distribution right under Section 106(3) allows a copyright owner to prevent the unauthorized sale or transfer of ownership or possession of a copyrighted work to the public, the importation right under Section 602(a) provides a right of action against unauthorized importation of copies acquired abroad and brought into the

United States regardless of whether those copies are sold to the United States public or possession or control of those copies is ever transferred. If the importation right of Section 602(a) did not provide protection beyond the scope of the distribution right of Section 106(3), there would have been no need for Congress to have enacted Section 602.

In its brief, Quality King has argued that the "first sale" doctrine of Section 109(a) insulates the owner of a lawfully made copy to sell or otherwise dispose of that copy notwithstanding how the copy was acquired. However, the "first sale" doctrine is not a defense to unauthorized acts of importation because the doctrine only authorizes an owner of a lawful copy to sell or otherwise dispose of that copy, not to import copies into the United States. Moreover, the "first sale" doctrine does not confer any affirmative rights. Instead, the doctrine is a limitation on the exclusive distribution right of Section 106(3). Since the copyright owner's right of distribution is not exercised by a sale or distribution of copies outside of the United States, the "first sale" doctrine is not a defense to claims of unauthorized importation. Thus, L'anza's sale of its copyrighted products to its United Kingdom distributor did not constitute an exercise of its distribution rights under Section 106(3). Consequently, L'anza's claim for copyright infringement based upon subsequent authorized importation of those copyrighted products cannot be subject to a defense based upon the "first sale" doctrine.

Furthermore, statutory interpretation establishes that the "first sale" doctrine of Section 109(a) is not a defense to infringement for an authorized importation under Section 602(a). First, Section 602(a) lists exceptions for the importation of a limited number of copies acquired for identified purposes. If the "first sale" doctrine insulated a party from liability for unauthorized importation of legally purchased goods from abroad, then the express exceptions of Section 602(a) would be unnecessary.

In addition, Section 602(a) includes the expressly stated

limitation of Section 108(g)(2). If the limitations of Section 106, i.e. Sections 107 through 120, apply to Section 602(a), then it would have been unnecessary for Congress to include the limitation of Section 108(g)(2) in Section 602(a).

In its brief, Quality King argues that if Congress had intended Section 602 to be distinct from Section 106, then Congress would have expressly stated so, as it did in Section 106A. However, Quality King ignores the fact that the rights articulated in Section 106A(a) extend to original works of visual art, not copies. Quality King also ignores that the author need not be the copyright holder of the work of visual art in order to enforce rights under Section 106A. Section 106, on the other hand, articulates exclusive rights in the copyright holder, not the author. Thus, Congress distinguished Section 106A from Section 106 because the former provided rights to the author, whether the copyright holder or not, while the latter provided rights to the copyright holder. Thus, the express language of the statutes and statutory interpretation support the conclusion that the "first sale" doctrine under Section 109(a) is not a defense to copyright infringement for unauthorized importation under Section 602(a).

Finally, even though the unambiguous language of the Copyright Act establishes that the "first sale" doctrine of Section 109(a) is not a limitation on Section 602(a), a review of legislative history supports that interpretation, as well. The Report of the Senate Committee on the Judiciary ("the Senate Report") and the Report of the House Committee on the Judiciary ("the House Report") state that Section 602(a) articulates "the general rule that unauthorized importation is an infringement merely of the copies or phonorecords 'had been acquired outside the United States. . . .' " Sen. Rep. No. 94-473, 94th Cong., 2d Sess. 152 (1976) ("Senate Report"); H.R. Rep. No. 1476, 94th Cong., 2d Sess. 169-170 (1976) ("House Report"). Moreover, the Committee explained that Section 603 was the means of enforcement of Sections 601 and 602, and compared Section 603 to the existing Section 109. Senate

Report at 152; House Report at 170. The Committees also described a violation of Section 602 as distinct from a violation of Section 106 in their discussion of Section 501. Senate Report at 141; House Report at 158. Furthermore, in their discussion regarding Section 109, the Committees made no reference whatsoever regarding its application to Section 602. Senate Report at 71-73; House Report at 79-81. Nor did the Committees make any reference to Section 109 in their discussion of Section 602. Senate Report at 151-152; House Report at 169-170. Therefore, the policies underlying the Copyright Act, the express language of the statutes, and the legislative history confirm that the "first sale" doctrine of Section 109(a) is not a defense to copyright infringement for unauthorized distribution under Section 602(a).

ARGUMENT

I. UNAUTHORIZED IMPORTATION AND SUBSEQUENT DISTRIBUTION OF GOODS INITIALLY SOLD BY THE COPYRIGHT HOLDER OUTSIDE THE UNITED STATES INFRINGE THE COPYRIGHT HOLDER'S EXCLUSIVE DISTRIBUTION RIGHT.

As Quality King correctly observes in its brief, in the *L'anza* decision, the Ninth Circuit concluded that the "first sale" doctrine of 17 U.S.C. § 109(a) did not extend to copyright infringement under 17 U.S.C. § 602(a). Thus, in its brief, Quality King characterizes the issue of whether Section 602(a) is limited by the "first sale" doctrine of Section 109(a) as the "principle question in this case. . . ." (Pet. Br., p. 13.) In fact, *this question is the only question* in this case. As fully discussed within, the Ninth Circuit's conclusion is correct and its interpretation of Sections 106(3), 602(a) and 109(a) is accurate. Consequently, the judgment in the Court of Appeals should be affirmed.

A. Statutory Interpretation Establishes That the "First Sale" Doctrine of Section 109(a) Is Not a Defense to Copyright Infringement under Section 602(a) for Unauthorized Importation.

In arguing that the Ninth Circuit's conclusion is in error, Quality King places great emphasis on the fact that Section 602(a) states that the unauthorized importation of works acquired outside the United States "is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501." 17 U.S.C. § 602(a). (*See, e.g.*, Pet. Br. at pp. 13 and 15.) Quality King reasons that if Congress had not intended to make the "first sale" doctrine a limitation on the importation right, Congress would not have identified the importation right as a subset of the distribution right. However, the express language of the statutes reveals otherwise.

Section 602(a) provides:

> § 602. *Infringing importation of copies or phonorecords.*
>
> (a) Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501. This subsection does not apply to —
>
> (1) importation, of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies

of any audiovisual work imported for purposes other than archival use;

(2) importation of the private use of the importer and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

(3) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2).

Thus, Section 602(a) lists exceptions for the importation of a limited number of copies acquired for personal, scholarly, religious or governmental purposes. As a result, if the "first sale" doctrine shields a party from liability for importing goods legally purchased overseas, then the express exceptions in Section 602(a) for a limited number of copies for personal, scholarly, religious or governmental purposes serves no end. Consequently, if Section 602(a), were construed such that the "first sale" defense superseded Section 602, such a construction would violate the fundamental rule that a statute should be interpreted so as to avoid making any part of it superfluous. *Kungys v. United States*, 45 U.S. 759, 778 (1988); *see*

generally Parfums Givenchy, Inc. v. C & C Beauty Sales, Inc., 832 F. Supp. 1378, 1388 (C.D. Cal. 1993).

In arguing in its brief that Section 602(a) does not confer upon a copyright owner a right not subject to the "first sale" doctrine of Section 109(a), Quality King cites to Section 106A. (Pet. Br. at p. 16.) Quality King then argues that when Congress intends to create a right separate and independent of the rights under Section 106, it does so expressly, as done in Section 106A. (*Id.*) Quality King notes that Congress expressly stated that "the rights under Section 106A were [s]ubject to Section 107 and independent of the exclusive rights provided in Section 106. . . ." 17 U.S.C. § 106A(a). (Pet. Br. at p. 16.) Quality King further notes that the transfer of ownership of the work protected under Section 106A does not constitute a waiver of the statutory right. 17 U.S.C. § 106A(e)(2). (*Id.*) Thus, Quality King apparently argues that the rights under Section 106A are not limited by the "first sale" doctrine of Section 109(a). However, Quality King ignores that Section 106A is part of the same chapter of the statute as Section 106. Section 602 is not part of the same chapter as Section 106. As a result, Congress expressly stated that the rights under Section 106A were distinct from those under Section 106 because of the proximity of the two statutes.

Moreover, Quality King ignores that Section 106A provides rights to original works of visual art, not copies of those works. The statute provides:

(c) Exceptions.

. . .

(3) The rights described in paragraphs (1) and (2) of subsection (a) shall not apply to any reproduction, depiction, portrayal, or other use of a work in, upon, or in any connection with any item described in subparagraph (A) or (B) of the definition

> of "work of visual art" in section 101, and any such reproduction, depiction, portrayal, or other use of a work is not a destruction, distortion, mutilation, or other modification described in paragraph (3) of subsection (a).

17 U.S.C. § 106A(c)(3). Thus, the rights articulated in Section 106A(a) do not extend to copies of a work of visual art, but only to the original work.

Moreover, under Section 106A the author need not be the copyright holder of the work of visual art in order to avail himself or herself of the rights under the statute. Section 106A further provides, in part:

> **(e) Transfer and waiver.**
>
> . . .
>
> **(2)** Ownership of the rights conferred by subsection (a) with respect to a work of visual art is distinct from ownership of any copy of that work, or of a copyright or any exclusive right under a copyright in that work. . . .

17 U.S.C. § 106A(e)(2). On the other hand, Section 106 articulates exclusive rights in the copyright holder not the author. Section 106 states, in part:

> Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following: . . .

17 U.S.C. § 106. Thus, the reason that Congress in Section 106A expressly stated that those rights were independent of Section 106 is simply because the rights in Section 106 are those of the copyright holder while the rights in Section 106A are those of the author, whether the copyright holder or not. Therefore, Section 106A provides no support for Quality King's argument.

Quality King has also argued that Section 602(a) is limited by the "first sale" doctrine of Section 109(a) because Section 602(a) identifies unauthorized importation as an infringement of the exclusive right to distribute under Section 106 subject to the limitations of Sections 107 through 120, including the "first sale" doctrine of Section 109(a). However, if Quality King's reasoning were sound, then the limitation of Section 108 would apply to Section 602(a) without any express reference in the statute in that regard. Yet, as noted, Section 602(a) expressly provides that subdivision (a)(3) is limited by Section 108(g)(2).[8]

That Congress expressly stated the limitation of Section 108(g)(2) in Section 602(a) shows that the limitations to Section 106, *i.e.*, Sections 107 through 120, do not apply to Section 602(a). Thus, if Congress intended the "first sale" doctrine of Section 109(a) to apply to Section 602(a), it would have expressly stated so in the statute, as it did with respect to the limitation of

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8. Subparagraph (g)(2) of Section 108 provides:

> (g) The rights of reproduction and distribution under this section extend to the isolated and unrelated reproduction or distribution of a single copy or phonorecord of the same material on separate occasions, but do not extend to cases where the library or archives, or its employee
>
> . . .
>
> (2) engages in the systematic reproduction or distribution of single or multiple copies or phonorecords of material descried in subsection (d): *Provided*, That nothing in this clause prevents a library or archives from participating in interlibrary arrangements that do not have, as their purpose or effect, that the library or archives receiving such copies or phonorecords or distribution does so in such aggregate quantities as to substitute for a subscription to or purchase of such work.

Section 108(g)(2). For this reason as well, the "first sale" doctrine of Section 109(a) is not a defense to a vile to infringement under Section 602(a).

In addition, Quality King has contended that the Ninth Circuit was wrong in finding that Section 602(a) was not subject to Section 109(a) because otherwise the other limitations contained in Sections 107 through 120 would also not apply to Section 602(a). Quality King argues, for example, that the "fair use" doctrine of Section 107 would not apply to Section 602(a), if the Ninth Circuit's conclusion were correct. Section 107 provides, in part:

> Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. . . .

17 U.S.C. § 107. Quality King claims that if the "fair use" doctrine of Section 107 did not apply to Section 602(a), the effect would be "draconian."[9] (Pet. Br. at p. 17.) In fact, the "fair use" doctrine of Section 107 does not apply to Section 602(a) for a very simple reason, and the result is hardly draconian. As discussed above, Section 602(a) expressly articulates its own exceptions. 17 U.S.C. § 602(a)(1)-(3). These exceptions are "fair use" limitations on Section 602(a). Thus, Section 602(a) contains its own "fair use" doctrine.

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9. Quality King appears to infer that the Ninth Circuit's interpretation of Section 602(a) violates the First Amendment. Pet. Br. at p. 17. In *Hearst Corp. v. Stark*, 639 F. Supp. 970, 978 (N.D. Cal. 1986), the court held that Section 602(a) does not violate the First Amendment.

As noted, Section 602(a) contains its own express exception for scholarly and educational purposes. 17 U.S.C. § 602(a)(3). Thus, if the "fair use" doctrine of Section 107 applied to Section 602(a), then the section articulated in subparagraph (a)(3) would be unnecessary. As also noted, a fundamental rule of statutory interpretation is to avoid an interpretation making it a part of that statute superfluous. *Kungys v. United States, supra*, 45 U.S. at 778.

Commentators have concurred with this interpretation. In 2 Goldstein, Copyright, § 5.6.1.2 (2d ed. 1996), the author discusses limits on the first sale doctrine as applied to imported goods:

> Section 602(a) makes the unauthorized importation into the United States of copies or phonorecords acquired outside the United States an infringement of section 106(3)'s distribution right. [Footnote omitted.] Does this mean that section 109(a)'s first sale exemption to section 106(3)'s distribution right is available to importers who acquired ownership of gray market copies or phonorecords lawfully made abroad? Courts have generally answered that the first sale defense is not available in these circumstances. [Footnote omitted.] To allow the first sale defense in these circumstances violates the shared principle of sections 106(3) and 109(a) that a copyright owner should, on first sale, be entitled to realize the full value of each copy or phonorecord produced with its authority, since competition with lower priced imports would inevitably prevent the United States copyright owner from realizing the full value of the copies and phonorecords that it sells. Further, to introduce a first sale defense into

> section 602(a) would obviate that subsection's exemptions for the importation of limited numbers of copies acquired for personal, scholarly or religious purposes, [footnote omitted] since these copies will often be lawfully made gray market goods purchased through normal market channels abroad.

2 Goldstein, Copyright, § 5.6.1.2 "Limits on the First Sale Exemption," pp. 5:115-5:116 (2d ed. 1996).

Quality King concludes that the court need look no further than the plain language of the statute to reach a decision in this case. (Pet. Br. at p. 17.) On this point, L'anza agrees. The plain language of the Copyright Act establishes that the "first sale" doctrine of Section 109(a) is not a defense to a violation of Section 602(a).

B. L'anza's Distribution of Copyrighted Goods Outside the United States Did Not Exhaust Its Exclusive United States Distribution Right under Section 106(3) with Respect to Those Goods.

Section 602(a) states that an unauthorized importation is an infringement of a copyright owner's exclusive distribution right under Section 106. Petitioner's principal argument before this Court is that once L'anza distributed its copyrighted goods, its Section 106(3) distribution right with respect to those goods was exhausted under the first sale doctrine. Thus, petitioner argues, L'anza cannot maintain a claim under Section 602 because there subsists no Section 106(3) distribution right to be infringed by virtue of unauthorized importation or subsequent sale of those goods. Petitioner furthermore maintains that because no Section 106(3) right subsists, L'anza cannot prevent subsequent sale of copyrighted goods imported without authorization.

Petitioner's argument fails to recognize the territorial limits of exclusive rights under the United States Copyright Act. A distribution of copyrighted goods outside the United States is not an exercise of the Section 106(3) right, but rather an exercise of rights conferred by foreign copyright law. *See generally Equal Employment Opportunity Commission v. Arabian American Oil Company*, 499 U.S. 244, 248 (1991) ("We assume that Congress legislates against the backdrop of the presumption against extraterritoriality."); *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095-1098 (9th Cir. 1994) (holding that Copyright Act has no application to extraterritorial acts).

Petitioner concedes that L'anza distributed the goods in question outside the United States. *See, e.g.*, Pet. Br. at 4 ("L'anza shipped the goods from the United States for delivery to L. Intertrade in Malta, . . . [understanding] that they would be distributed in Malta and 'possibly Libya.' "); Pet. Br. at 15 ("L'anza sold the products to its United Kingdom distributor"). Because a distribution of copyrighted works outside the United States is not an exercise of the Section 106(3) United States distribution right, the Section 106(3) right and Section 602(a) right cannot be extinguished by L'anza's distribution outside the United States.

Thus, although L'anza's distribution of copyrighted goods in the United Kingdom or Malta may implicate rights under United Kingdom or Maltese copyright law, it does not implicate exclusive rights under the United States Copyright Act. L'anza's United States distribution right therefore subsists with respect to the goods distributed abroad, such that L'anza may bar importation and subsequent sale of such goods as an infringement of its Section 106(3) right. *See generally* Br. of *Amici Curiae* Recording Industry Association of America *et al.* In Support of Respondent, Argument IIB.

II. THE LEGISLATIVE HISTORY COMPELS THE CONCLUSION THAT THE "FIRST SALE" DOCTRINE OF SECTION 109(a) IS NO DEFENSE TO INFRINGEMENT FOR UNAUTHORIZED IMPORTATION UNDER SECTION 602(a).

In its brief, Quality King acknowledges that when statutory language is ambiguous, no reason exists for the court to consider the legislative history of the statute. On this point, L'anza also agrees. As fully discussed above, the statutory language unequivocally establishes that the "first sale" doctrine of Section 109(a) is not a defense to a violation of Section 602(a). That notwithstanding, assuming *arguendo* that the court finds the statutory language ambiguous, a review of the legislative history reveals that the Ninth Circuit decision is correct and L'anza's interpretation is accurate.

In its brief, Quality King has acknowledged that the Ninth Circuit was correct in observing that the interaction between Section 109 and Section 602(a) does not expressly address the legislative history of the Copyright Act of 1976. 98 F.3d 1116. (Pet. App. at p. 12.) However, the *L'anza* court found evidence in the legislative history of the act to support the conclusion that Section 109(a) was not intended to limit the scope of Section 602(a). *Id.*

At the outset, it is important to remember that "as the term 'copyright' suggests, it is the act of copying which is essential to, and constitutes the very essence of all copyright infringement." 2 Nimmer on Copyright § 8.202[A] (1986). Importation itself can be the equivalent of the act of copying since importation increases the number of copies of a work available in this country. The copyright owners' right to control the number of copies of work in this country can be violated as much by the unauthorized importation of works acquired outside the United States as by mass copying in the United States. Thus, the importation right insures the copyright owner control of the number of copyrighted products

in the market by preventing the saturation of the market with unauthorized imports just as the copyright owner has the right to prevent the making of unauthorized copies to prevent a similar saturation.

The *L'anza* court found the situation to be an important problem and that Congress had intended to prevent or protect against this problem by enacting Section 602(a). At pages 1116 and 1117, the court reasoned:

> The *C & C* court explained this point as follows:
>
> > [The] "full value" — the price at which the copyright owner is willing to sell copies of his work — depends on market conditions and, in today's global economy, varies from country to country. For example, the owner of a copyright in a sound recording may demand $10 each to sell 1 million phonorecords of that sound recording in the United States, but may be willing to sell another 1 million phonorecords for $7 each in Australia in order to enter the market there or for some other legitimate business purpose. If the phonorecords originally sold for $7 in Australia are allowed to enter the United States, where they may then be sold again for, say, $8, the United States copyright owner is forced to compete with that price, and thus is prevented from receiving the $10 to which he is entitled for each of the phonorecords initially released into the United States market.

C & C, 832 F.Supp. at 1390-91. Thus, the *C & C* court concluded,

> [a]pplying the first sale doctrine to actions for unauthorized importation of goods manufactured and first sold abroad would violate [the principle that the copyright owner is entitled to realize the full value of each copy or phonorecord upon its disposition] and defeat Congress' intent, in enacting Section 602(a), to expand importation protection for copyright owners so as to avoid circumvention of the distribution right.

Id. at 1391.

Although *C & C* addressed the importation of copies manufactured outside of the United States, its logic is equally applicable to the scenario at issue here, where the copyright owner sold U.S. manufactured goods at a substantial discount, with the intent that they would be sold exclusively outside of the United States (Quality King concedes that the goods were to be sold outside of the United States). Just as in the example offered by *C & C*, the unauthorized importation of these goods undercuts L'anza's ability to receive the full value for L'anza products sold in the United States through authorized channels, notwithstanding the fact that the imported products were manufactured in the United States and sold by L'anza. As a result, it would contradict the congressional intent underlying §§ 106(3), 109(a) and 602(a) if we were to hold

> that § 109(a) barred liability under § 602(a) in this case.

In its brief, Quality King has demeaned the legislative history cited by the Ninth Circuit in the *L'anza* decision. (Pet. Br. at pp. 21-22.) However, there is legislative history not cited by the Ninth Circuit in the *L'anza* decision that also supports the Ninth Circuit's interpretation.

The legislative history with respect to Section 501 supports the interpretation that the rights under Section 602 are separate and distinct from those under Section 106. The Senate Committee on the Judiciary and the House Committee on the Judiciary noted:

> The bill, unlike the present law, contains a general statement of what constitutes infringement of copyright. Section 501(a) identifies a copyright infringer as someone who "violates any of the exclusive rights of the copyright owner as provided by sections 106 through 188" of the bill, or who imports copies or phonorecords in violation of section 602. Under the latter section an unauthorized importation of copies or phonorecords acquired abroad is an infringement of the exclusive right of distribution under certain circumstances.

Senate Report at 141; House Report at 158.[10]

The legislative history of Section 602 also supports the interpretation that the "first sale" doctrine is not a defense to a violation of that section. The Report of the Senate Committee on

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10. The Senate Report and the House Report do not include the caveat noted by Quality King with respect to the legislative history cited by the Ninth Circuit in *L'anza*, to wit, no approval or disapproval was given as to the expressed views. Pet. Br. at 21, n.8.

the Judiciary and the Report of the House Committee on the Judiciary states:

> Section 602(a) first states the general rule that unauthorized importation is an infringement merely if the copies or phonorecords "have been acquired outside the United States", but then enumerates three specific exceptions: . . . .
>
> If none of the three exemptions applies, any unauthorized importer of copies or phonorecords acquired abroad could be sued for damages and enjoined from making any use of them, even before any public distribution in this country has taken place.

Senate Report at 152; House Report at 169-170.

In its brief, Quality King has cited later language from the House and Senate Committee Reports, and by selectively emphasizing certain portions of that language, Quality King has argued that the reports reflect a different interpretation of Section 602. (Pet. Br. at pp. 18-19.) However, no manipulation of emphasis can alter the unambiguous meaning of the language quoted above.

Moreover, the Senate Committee on the Judiciary and the House Committee on the Judiciary viewed Section 603 as the counterpart of Section 109 vis-à-vis Sections 601 and 602. The Committees explained:

> The importation prohibitions of both sections 601 and 602 would be enforced under section 603, which is similar to section 109 of the statute now in effect.

Senate Report at 152; House Report at 170. If the "first sale" doctrine of Section 109 applied to Section 602, then Section 603 would be unnecessary.

Finally, a review of the reports from the Senate and House Committees on the Judiciary regarding Section 109 reveals that no reference whatsoever is made with respect to its application to Section 602. Senate Report at 71-73; House Report at 79-81. By the same token, in the part of the report regarding Section 602, no reference whatsoever is made to Section 109, much less that Section 109 applies to Section 602. Senate Report at 151-152; House Report at 169-170.

As noted, Quality King denigrates much, if not all, of the legislative history cited by the *L'anza* court in support of its decision. *See, e.g.*, Pet. Br. at p. 21. Nonetheless, Quality King proceeds to rely on similar legislative histories to support its position.[11] *Id.* at pp. 22-23. In this regard, Quality King refers to a 1964 panel discussion at which a publishing industry representative questioned whether certain scenarios would constitute infringement under proposed Section 602. These scenarios were as follows: "some American importer buys [a book] from a German jobber, who legitimately bought copies from the German publisher who had the authority to make and sell them," and the "American importer then sells them to a retail bookseller, and the retail bookseller sells one of these copies." Staff of House Comm. on the Judiciary, 88th Cong., 2d Sess., *Copyright Law Revision, Part 4: Further Discussion and Comments on Preliminary Draft for Revised U.S. Copyright Law* 210 (Comm. Print 1964). (Pet. Br. at p. 22.) Quality King contends that the general counsel of the copyright office, which had prepared the preliminary drafts of the 1976 Act, responded that the answer depended on "whether the distribution that would

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11. Indeed, the material includes the caveat that Quality King has cited to demean the legislative history cited by the *L'anza* court:

> In issuing this material the committee neither approves nor disapproves any of the views expressed therein. The material is issued for the information and convenience of persons interested in U.S. copyright law revision.

take place in the United States would itself constitute an infringement of copyright." *Id.*

Quality King then argues that the general counsel repeated this interpretation during the entire discussion. *Id.* However, this recitation is not accurate. In fact, what Quality King characterizes as one scenario was, in fact, two scenarios. As to the first scenario, the general counsel of the copyright office replied that anyone who imported into the United States without authority had infringed and the importer would be an infringer. *Id.* at page 210, the exchange reads as follows:

> KARP. I may be repeating, since unfortunately I had to leave before this section was opened for discussion. I only wanted to ask two questions.
>
> Under either Alternatives A or B, importation of copies that were legally made in the first place becomes infringement if the copies are imported without the authority of the owner of the exclusive right to distribute copies. How far down the line of distribution will this extend? If a bookseller buys copies from a jobber who legally bought them from a German publisher, would he be guilty of infringement?
>
> In other words, some American importer buys from a German jobber, who legitimately bought copies from the German publisher, who had the authority to make and sell them. Then he sells them into the United States, and the American importer then sells them to a retail bookseller, and the retail bookseller sells one of these copies. Would that be an infringement under this section?

> GOLDMAN. I should think the result of this section would be that anybody who imports without authority into the United States for the purposes of distribution to the public would be an infringer.

Finally, Quality King has cited the statement of Robert T. Jordan of the Council on Library Resources. For the proposition that Congress was aware of the view based upon the "first sale" doctrine, no geographical restriction should be placed on a purchaser's resale of a lawfully purchased copyrighted article. (Pet. Br. at p. 22 n.9.) At the outset, it should be noted that Mr. Jordan was careful to emphasize that he was not speaking as a representative of any particular organization. *Copyright Law Revision, Part I: Hearings Before the Sub Comm. No. 3 of the House Comm. on the Judiciary*, 89th Cong. 1st Sess. 464 (1965). More importantly, Mr. Jordan did not refer to Section 109 in the comments quoted by Quality King; instead, he only referred to Section 108. *Id.* at 468. Most importantly, Mr. Jordan's statement reflects an awareness that the limitations under Section 106 were not intended to extend to Section 602. As a result, Mr. Jordan expressed criticism of Section 602.

Consequently, notwithstanding Quality King's argument to the contrary, the Copyright Act itself, as well as its legislative history, strongly supports the interpretation that the first sale doctrine under Section 109(a) has no application to a violation of Section 602(a). Therefore, the Ninth Circuit's holding in the *L'anza* decision was correct, and the decision should be affirmed.

CONCLUSION

For the foregoing reasons, the judgment of the Court of Appeals should be affirmed.

Respectfully submitted,

RAYMOND H. GOETTSCH
Counsel of Record
LaTORRACA AND GOETTSCH
A Law Partnership
Attorneys for Respondent
211 East Ocean Boulevard
Suite 400
Long Beach, California 90802
(562) 436-1887